Strengthening the micro-finance sector

4183. SHRIMATI SUPRIYA SULE: Will the Minister of FINANCE be pleased to state:

(a) whether the Planning Commission in a report on strengthening the micro-finance sector has pointed out that there is an urgent need for the Centre to come out with a national policy on micro-finance with a view to financially empower the Below Poverty Line (BPL) families, reduce overall poverty in the country and evolve a coordinated strategy for a faster and smoother growth of the sector;

(b) if so, whether Government has considered the panel's recommendation; and

(c) if so, by when a final decision is likely to be taken on the matter?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) to (c) The Report of the Steering Committee on Microfinance and Poverty Alleviation (May 2007), constituted under the Chairmanship of Shri Anwarul Hoda, Member, Planning Commission, recommended the need for a concerted effort on the part of the various agencies and the service providers involved in the sector of microfinance to come together to evolve a coordinated strategy for a faster and smoother growth of the sector.

The Government has already taken a number of steps for financial empowerment of Below Poverty Line farmers and other poor people. The constitution of the Financial Inclusion Fund (FIF) for meeting the cost of promotional and developmental interventions and the Financial Inclusion Technology Fund (FITF) for meeting the cost of technology adoption, with an overall corpus of Rs. 500 crore each, are steps in that direction.

Further, the Government, in recent years, have also initiated several measures in consultation with RBI and NABARD for financial empowerment of poor people. Banks have been instructed to achieve financial outreach through opening of "No Frills" accounts with limited overdraft facilities, to extend financial outreach by utilizing services of Civil Society Organisation like Farmers Clubs, NGOs, Post Offices on the lines of Business Facilitator/Business Correspondent Model and to finance oral lessees and landless agricultural labourers through the Self Help Group and Joint Liability Group approach, etc.

Besides, pursuant to the announcement in the Union Budget 2008-09, Government has advised Indian Banks' Association to suitably advise the commercial banks to add at least 250 rural household accounts every year at each of their rural and semi-urban branches.

Selling of small under-performing public sector banks

4184. SHRI HARISH RAWAT: Will the Minister of FINANCE be pleased to state:

(a) whether a high level committee set up by Government has mooted a proposal to sell the small and under-performing public sector banks in the country;

(b) if so, the details thereof;

(c) whether Government after reconsideration proposes to merge the small and under-performing public sector banks with profit earning banks rather than selling them; and

(d) if so, the reaction of Government in this regard?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) and (b) With a view to outline a comprehensive agenda for the evolution of the financial sector indicating especially the priorities and sequencing decision which the Government may keep in mind, Planning Commission had set up a High Level Committee on Financial Sector Reforms headed by Shri Raghuram G. Rajan. On a proposal to sell small under-performing public sector banks, possibly to another bank or to a strategic investor, to gain experience with the process and gauge outcomes, the Committee has, in its draft report, opined as under:—

"For the largest PSBs, the options are more limited. The selling of large PSBs to large private sector banks would raise issues of concentration. The selling of banks to industrial houses has been problematic across the world from the perspective of financial stability because of the propensity of the houses to milk banks for "self-loans". Without a substantial improvement in the ability of the Indian system to curb related-party transactions, and to close down failing banks, this could be a recipe for financial disaster. While large international banks could swallow our largest banks, it is unlikely that this would be politically acceptable, at least in the foreseeable future. That leaves a sale through a public offering. But such a sale would require confidence in the corporate governance of these enterprises so that a high price can be realized. This Committee therefore believes that the second aspect of the pragmatic approach, especially for large and better performing public sector banks, should be to focus on reforming the governance structure, while perhaps also acquiring strategic partners, with the eventual disposition determined based on experience with privatization, the public mood, and the political environment".

The draft report is available at Planning Commission website *www.planningcommission.nic.in.*

(c) and (d) There is no proposal to sell Government's stake in any public sector bank. As regards consolidation, Government is of the view that any such proposal by way of merger etc., of one public sector bank with another public sector bank, should emanate from the concerned banks with Government playing a supportive role.

Moderation in economy

4185. SHRI JESUDASU SEELAM: Will the Minister of FINANCE be pleased to state:

(a) whether there has been a sign of moderation in growth during the current and the next fiscal as per the latest estimates released by the Prime Minister's Advisory Council;

(b) if so, whether it is estimated that the economy would grow by 8.8 per cent this year compared to 9.4 per cent during 2006-07 and is projected to see output rise by 8.5 per cent next calendar and financial year; and

(c) if so, what are the main reasons for slow down of economic growth and what are the steps being taken to improve the position?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) and (b) As per the 'Review of the Economy 2007-08', by the Economic Advisory Council to the Prime Minister, the growth rate of the Gross Domestic Product (GDP) at factor cost at constant prices for 2007-08 is expected to get moderated marginally to 8.9 per cent from a level of 9 per cent estimated earlier. The GDP is estimated to grow at 8.5 per cent in 2008-09.